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Operational activities for development: economic and technical cooperation among developing countries

State of South-South cooperation

Report of the Secretary-General**

Summary

The present report, covering the biennium 2001-2002, focuses in particular on cooperation in regard to monetary, financial, investment and trade arrangements, especially in the context of efforts towards regional and subregional integration in the South. It notes considerable progress on many fronts, as well as negative trends that in many cases reflect the volatility of international affairs during the biennium. Noted in the report is the growing participation by developing countries in North-South and South-South economic arrangements; however, such participation remains uneven. The report also briefly highlights the emergence of civil society and the private sector as significant players in South-South initiatives. The report concludes with recommendations aimed at moving South-South cooperation forward.

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Abbreviations

ANCOM	Andean Common Market
ASEAN	Association of Southeast Asian Nations
CACM	Central American Common Market
CARICOM	Caribbean Community
CEMAC	Economic and Monetary Community of Central African States
CEPGL	Economic Community of the Great Lakes Countries
COMESA	Common Market for Eastern and Southern Africa
ECCAS	Economic Community of Central African States
ECO	Environment Congress for Asia and the Pacific
ECOWAS	Economic Community of West African States
GCC	Gulf Cooperation Council
IMF	International Monetary Fund
LAIA	Latin American Integration Association
MERCOSUR	Southern Cone Common Market
MSG	Melanesian Spearhead Group
MRU	Mano River Union
OECS	Organization of Eastern Caribbean States
SADC	Southern African Development Community
SAARC	South Asian Association for Regional Cooperation
UEMOA	West African Economic and Monetary Union
UMA	Arab Maghreb Union
UNCTAD	United Nations Conference on Trade and Development

I. Introduction

1. The present report is submitted pursuant to resolution 56/202 of 21 December 2001, in which the General Assembly requested the Secretary-General to submit to it at its fifty-eighth session a report on the current state of South-South cooperation. While providing historical background where necessary, the report covers developments in the biennium 2001-2002. As requested by the Assembly, it focuses in particular on the state of cooperation among developing countries in terms of monetary, financial, investment and trade arrangements and presents an overview of key evolving trends and issues. The report concludes with a number of observations relevant to the growing importance of South-South cooperation.

2. The biennium 2001-2002 offers a stark contrast to the decade that preceded it because of the bursting of the information technology bubble and the events of 11 September 2001. Combined, they resulted in a rapid deceleration of the global economy that affected all developing countries. The uncertainties relating to international security that were suddenly manifested also had a broad depressing impact on the world economy. Trade, investment and development all suffered. The merchandise exports of developing countries decreased by 6 per cent, a somewhat steeper decline than the world average in 2001, owing to the marked contraction of shipments of information technology products from the East Asian traders and those of oil-exporting developing countries.

3. Information for the present report was collected from the following sources: the proceedings of the General Assembly High-level Committee on the Review of Technical Cooperation among Developing Countries, which held its thirteenth session from 27 to 30 May 2003 in New York; responses from Governments and United Nations agencies and programmes to questionnaires circulated by the Special Unit for Technical Cooperation among Developing Countries of the United Nations Development Programme (UNDP); documentation and written inputs from the United Nations development system, particularly the secretariat of the United Nations Conference on Trade and Development (UNCTAD). Information on the private sector and civil society organizations was collected by key word searches on the Internet.

4. Four conferences during the biennium were of significance in terms of South-South cooperation, in that each one reviewed the current situation and pointed the way ahead. The Fourth World Trade Organization Ministerial Conference, held in Doha, in November 2001, launched a work programme that places the needs of developing countries at the heart of the multilateral trade negotiations. The outcome of these negotiations could affect the flexibility of developing countries engaging in South-South and North-South regional trade agreements.

5. The International Conference on Financing for Development, held in Monterrey, Mexico in March 2002, specifically encouraged South-South cooperation, including through triangular cooperation, to facilitate exchange of views on successful strategies, practices and experience and replication of projects. Further, it urged the strengthening of South-South cooperation in the delivery of assistance.[1]

6. The World Summit on Sustainable Development, held in Johannesburg, South Africa, in August 2002, adopted a Declaration and an Implementation Plan that

specifically endorsed South-South cooperation and strong regional and subregional action.[2]

7. The Third United Nations Conference on the Least Developed Countries, held in Brussels in May 2001, emphasized the importance of South-South cooperation in capacity-building and setting best practices, particularly in the areas of health, education, training, environment, science and technology, trade, investment and transit transport cooperation.

II. State of South-South cooperation

A. Global, regional and subregional arrangements

8. At the global level, the Group of 77 and China and the Movement of Non-Aligned Countries continued to serve as the broadest mechanisms for consultation and policy coordination among developing countries. As noted at the South Summit, held in Havana in 2001, the positions adopted over the years by the Group of 77 and the Non-aligned Movement constitute a comprehensive philosophy and framework for action for developing countries, and United Nations conferences, particularly the Millennium Summit of 2000, have guided recent North-South and South-South initiatives at the global and regional levels.

9. In October 2002, the Group of 77 convened, for the first time, a conference on South-South cooperation in science and technology. Meeting in Dubai, high-level delegations from 60 countries and some 150 scientists from developing countries discussed how to intensify cooperation. The official delegations adopted the Declaration on the Promotion of Science and Technology in the South, while a Declaration on Science and Technology for Peace and Development emerged from the concurrent meeting of the scientists. The declaration adopted by the scientists urged an increase in funding for education, science and technology to at least 2.5 per cent of the gross national product of developing countries by the year 2010.

10. Consistent with earlier reports of the Secretary-General, most South-South and North-South activities occurred within the framework of regional and subregional arrangements. Regional groups were oriented predominantly towards the promotion of North-South and South-South flows of trade among developing countries. By the end of 2002, the World Trade Organization had recognized nearly 250 regional and subregional free-trade arrangements intended to promote economic and social development.

11. In Africa, the largest integration effort in terms of the number of countries and long-term scope is the 52-member African Union, established in 2002 as the successor to the Organization of African Unity. It envisages the eventual formation of a continental common market, with a number of shared political institutions, including a Pan-African Parliament as the highest legislative and representative organ of the African Union and a Court of Justice as its highest judicial authority. For the present, it has a summit-level Assembly that meets at least once a year, a 15-member Peace and Security Council, an Executive Council of Foreign Ministers, a Permanent Representatives Committee at the ambassador level, and a secretariat. Technical committees will deal with a wide range of economic, environmental, financial, monetary and social matters.

12. A significant initiative adopted by the last summit of the Organization of African Unity, held in Zambia in 2001 and launched at the first summit of the African Union, held in South Africa in 2002, was the New Partnership for Africa's Development (NEPAD). According to its founding document, the objective of NEPAD is to consolidate democracy and sound economic management on the continent. In adopting NEPAD, African leaders made a pledge to promote peace and stability, democracy, sound economic management and people-centred development, and to hold one another accountable through a peer-review process. The partnership is directed by the Heads of State Implementation Committee, supported by the Steering Committee and Secretariat, which have been charged with developing and guiding the implementation of a strategic plan to ensure domestic support in African countries and facilitate public-private-sector partnership and international support.[3]

13. One of the successful subregional groups in Africa to date has been the 14-member Southern African Development Community, with South Africa, the continent's largest economy, as its anchor. The 15-member Economic Community of West African States (ECOWAS), including the continent's most populous country, Nigeria, also has an active history, but the subregion has been plagued by repeated conflicts and progress has been difficult. The 20-member Common Market for Eastern and Southern Africa (COMESA) stands out as a relative success story among African groups, having achieved a free trade area in 2000 with a single common external tariff. In June 2003, COMESA took a large step towards creating common institutions by establishing a court of justice in the Sudan.

14. In Asia, the 10-member Association of Southeast Asian Nations (ASEAN) has continued to be a leader in South-South cooperation. Under a framework agreement signed in 2000, ASEAN members pursued increased digital readiness in the region. The pilot phase of an agriculture Internet hub was launched in February 2002 in Indonesia and will eventually provide all critical trade services in agribusiness to over 200 million farmers and their dependants in the region. The new e-hub has the support of both the private and public sectors within and outside the region: private-sector participants include United States of America-based Accenture and Microsoft, which is providing the software infrastructure for the project. Under another framework agreement, in April 2002, ASEAN members signed a mutual recognition agreement setting common technical and product safety standards for electronic and electrical equipment, a sector that accounts for almost 40 per cent of intra-ASEAN trade.

15. In the biennium 2001-2002, ASEAN also continued to strengthen cooperation with other major countries in the region; India became a summit-level dialogue partner in 2001. With other similar partners, China, Japan and the Republic of Korea, regular economic reviews and enhanced policy dialogues continued.[4]

16. Another subregional group in Asia with significant achievements in the period under review is the seven-nation South Asian Association for Regional Cooperation (SAARC). While the advance of SAARC has been slowed by political problems, work has gone ahead through apex bodies for chambers of commerce and industry and law and, since 2001, for accountancy. The SAARC Committee on Economic Cooperation has assumed a central position in the cooperative process and has supported the creation of a number of subregional networks, including one for economic research. In 2001, SAARC adopted a common position prior to the Doha ministerial meeting of the World Trade Organization, a subregional trade fair was

organized in Pakistan and the first SAARC Conference on Clinical Oncology met in Sri Lanka. In 2002, the eleventh SAARC summit convened in Nepal, at which two subregional conventions were signed, namely, the SAARC Convention on Preventing and Combating Trafficking in Women and Children for Prostitution and the SAARC Convention on Regional Arrangements for the Promotion of Child Welfare in South Asia. Although trade liberalization has been slow to get off the ground, it is making steady progress, and SAARC plans call for the creation of a South Asian Free Trade Area by 2010.

17. Three members of SAARC also belong to the six-member Bangkok Agreement for a preferential trading area. The Bangkok Agreement became the most populous of the world's South-South arrangements when China joined it in 2001.

18. An interesting variant of subregional integration in Asia is microregional cooperation to develop contiguous territories of two or more developing countries. This allows participating countries to reap the economic benefits of cooperation while side-stepping political issues that might obstruct efforts of broader scope. An example is the Tumen River Area Development Programme, which covers an economically depressed area along the borders of China, the Democratic People's Republic of Korea and the Russian Federation.

19. In the Latin America and the Caribbean region, one of the most advanced of all South-South cooperation efforts at subregional integration among developing countries is the five-member Andean Community, with its joint parliament, common foreign policy, Council of Ministers and Court of Justice. In 2001, the new Common System on Intellectual Property Rights agreed by the Commission of the Andean Community came into effect. In June of that year, the Andean Presidents approved the Andean Cooperation Plan for the Control of Illegal Drugs and Related Offences and provisions to facilitate the free circulation of people among members of the group. In June, Andean Community foreign and Defence Ministers approved the Andean Charter for Peace and Security, which lays down the principles and commitments for the formulation of a Community policy on security in the subregion, establishment of a peace zone, regional efforts in the war against terrorism and the limitation of foreign defence spending, control of conventional weapons and transparency. In July 2002, at the second meeting of South American Heads of State, the Presidents of the Andean Community adopted the Andean Charter for the Promotion and Protection of Human Rights.[5]

20. Since 2000, the Andean Community and the Southern Cone Common Market (MERCOSUR), which already has a common external tariff, have been engaged in negotiations to establish a free trade area. In July 2001, they established a Mechanism for Political Dialogue and Coordination; in April 2002, the Ministers for Foreign Affairs of the Andean Community and MERCOSUR countries issued a joint communiqué on the economic, social and political priority their Governments attribute to harmonizing the integration processes of the Andean Community and the MERCOSUR and Chile in South America.[6]

21. A larger and older integration effort is the 12-member Latin American Integration Association (LAIA), the successor in 1980 to the Latin American Free Trade Association, which dated back to 1960. The aim of LAIA (ALIDA in Spanish) is the creation of a Latin American common market. Meanwhile, the push to create the much larger Free Trade Area of the Americas — to include every country in the

hemisphere, except Cuba — is continuing, with a target date of 2005 for finalization.

22. The 14-member Caribbean Community (CARICOM), the world's largest grouping of small island developing States, continues to seek the establishment of a common external tariff and common protective policy, harmonization of fiscal and taxation arrangements and coordination of economic policies and development planning. The 1973 Treaty of Chaguaramas was revised to integrate nine Protocols in 2001, and technical work has begun to include additional items on e-commerce, government procurement, trade in goods from free zones, free circulation of goods and the rights contingent on the free movement of persons.

B. South-South monetary and financial cooperation

23. At the global level, the Intergovernmental Group of Twenty-four on International Monetary Affairs and Development (Group of 24) continued its work aimed at strengthening cooperation among its member countries in their preparation for negotiations on monetary and financial issues within the framework of the International Monetary Fund (IMF), the World Bank and other bodies. Its meetings are open to all developing countries, and several non-members participate regularly. Its activities and communiqués are part of the normal activities at all meetings of the international financial institutions, especially the IMF International Monetary and Financial Committee and the Joint IMF/International Bank for Reconstruction and Development Committee.[7]

24. The UNCTAD secretariat has provided logistic and substantive support to the activities of the Group of 24 through a project of technical support in the form of studies and research papers on selected topics prepared by internationally renowned experts and UNCTAD staff. The group has held regular expert group meetings. The research results and policy proposals have been presented to the Group of 24 Ministers at their biannual meetings, which are held prior to the meetings of IMF and the World Bank in the spring and autumn. The subjects covered by the research activities and the expert group meetings in recent years include: capital account regimes in developing countries; regulation and taxation of international financial flows; the crisis of official development assistance; external debt and structural adjustment; debt relief and sovereign debt workouts; allocation and role of special drawing rights in a changing international financial environment; global financial system reform; conditionality of the international financial institutions; the link between exchange rate policies, globalization, and growth; lessons from exchange rate policies in Latin America and capital controls in East Asia; issues relating to organizational reform and governance of IMF and the World Bank; and competition and competition policies in emerging markets.

25. An important new element in South-South monetary and financial cooperation is the Heavily Indebted Poor Countries Ministerial Network, set up in 1999 by the countries eligible for debt relief under the Heavily Indebted Poor Countries Initiative. The Network has ensured cooperation and exchange of experiences among heavily indebted poor countries in connection with the process of obtaining debt relief under the Initiative and efforts of heavily indebted poor countries to attain the Millennium Development Goals with the support of the international community. There has been a regular exchange of information among senior

Network officials about macroeconomic policy and poverty, as well as on the prospects for debt relief and long-term debt sustainability. In addition, the Network has undertaken a comprehensive review of the poverty reduction strategy papers to be prepared as a condition for debt relief and has made proposals on the streamlining of IMF and World Bank conditionality. Efforts are under way to increase further the effectiveness of cooperation among the members of the Network, which has become acknowledged as a representative forum by international organizations.[8]

26. All regions of the developing world have witnessed increased efforts towards monetary and financial cooperation. Examples of trends in regional South-South monetary cooperation include: (a) ECOWAS; (b) the 22-member Arab Monetary Fund; (c) the 5-member Latin American Reserve Fund; (d) the 7-member Asian Clearing Union (ACU); and ASEAN.

27. West Africa has been the scene of considerable activity towards the overarching goal of creating a single monetary system for all 15 member States of ECOWAS. In April 2000, six countries — the Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone — agreed to create a new second common currency for the West African region, the West African Monetary Zone, by 2003. The six countries committed themselves to reducing central bank financing of budget deficits to 10 per cent of the previous year's government revenue, reducing budget deficits to 4 per cent of the gross domestic product (GDP) by 2003, creating a Convergence Council to help to coordinate macroeconomic policies and setting up a common central bank. The move is intended to be the first step in bringing the existing francophone member States of the West African Economic and Monetary Union, consisting of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo into a wider monetary union that would include all 15 members of ECOWAS by 2004.

28. The Arab Monetary Fund, established by the League of Arab States in 1976, seeks to stabilize exchange rates, facilitate mutual convertibility among Arab currencies, coordinate national monetary policies, and promote investment flows and trade by easing payments arrangements and dealing with imbalances. In 1995, the Inter-Arab Rating Company was set up to promote local rating agencies in various Arab countries, with the eventual aim of moving to a single currency. In May 2002, the Arab Monetary Fund and the World Trade Organization signed a memorandum of understanding to provide technical assistance and capacity-building to enhance the participation of Arab countries in the multilateral trading system and trade negotiations.

29. The Latin American Reserve Fund, created in 1991 to replace the Andean Reserve Fund, has continued to help to correct payments imbalances with loans and loan guarantees; coordinate monetary, exchange, and financial policies of members; and promote trade liberalization and payments. The six members of the Latin American Reserve Fund are: Bolivia, Colombia, Costa Rica, Ecuador, Peru and Venezuela. According to the Andean Community web site, the total of $5.6 billion in intra-subregional exports in 2001 was 51 times greater than the total in 1970.

30. The Asian Clearing Union began operations in 1975 during a period of acute foreign exchange shortages for most of its member States (Bangladesh, India, the Islamic Republic of Iran, Myanmar, Nepal, Pakistan and Sri Lanka). Its arrangements have allowed Governments to side-step the need for hard currency in

clearing payments for regional trades. Initially, the Union had its own Asian Monetary Unit. When this proved cumbersome, it was replaced with the ACU dollar. Under this arrangement, the Union now clears some $7 billion in regional trades per year. At its most recent meeting (June 2003), Thailand was present as an observer, and there was discussion of inviting several other Asian countries to participate.

31. A meeting of ASEAN Finance Ministers, held in Yangon in April 2002, reviewed progress on the Chiang Mai Initiative on regional monetary cooperation, liberalization of the financial services sector and development of the capital market. The ministers agreed on a number of initiatives for 2002, including the launch of the third round of negotiations on liberalization of financial services.[9]

32. Since the attacks on the United States in September 2001, the long-standing international effort against money-laundering has assumed an important role in combating the financing of terrorism. The Security Council has mandated much stronger requirements for the monitoring of banking activity and surveillance of traditional money transfer mechanisms. This may necessitate a new area for South-South cooperation to counter those who engage in money-laundering, who often seek out economies without comprehensive regulatory mechanisms in place and try to exploit differences among national anti-money-laundering systems.

C. Investment and capital flows

33. Capital flows to developing countries have experienced a downward trend since the 1997 Asia financial crisis, with considerable volatility from month to month. Since 2000, the downward trend has been global. UNCTAD reports that total flows of foreign direct investment, which had surged from about $200 billion in the early 1990s to almost $1.4 trillion in 2000, collapsed by about 41 per cent in 2001 and by another one fifth in 2002, down to about $650 billion. Developing countries as a group received less than one third of total world investment flows in 2000, and most of it went to a few countries: just five countries received 70 per cent.

34. According to UNCTAD, foreign direct investment flows to Africa rose from $8 billion in 2000 to more than $19 billion in 2001, but about 80 per cent of the increase was accounted for by a deal in which London-listed Anglo-American PLC paid with its own shares to buy stock in South Africa-based De Beers. Most of the rest of the increase reflected the acquisition of a 35-per-cent stake in Maroc Telecom by a foreign investor. Neither deal implied a change in fundamentals. While investments for most African countries remained stagnant in 2001, these countries were not worse off than developing countries on average. Foreign direct investment flows to Asian developing countries registered a decrease from $142 billion in 2000 to $107 billion in 2001, reflecting a 62-per-cent decline in flows to Hong Kong SAR. South Asia and Central Asia had increased foreign direct investment flows in 2001, while South-east and North-east Asian flows stagnated. Mainland China regained its position from Hong Kong SAR, as the top magnet of foreign direct investment flows in the region and the world. India, Kazakhstan, Singapore and Turkey were top foreign direct investment recipients in their respective subregions.

35. Investment flows were predominantly North-South, but there were also South-South flows. In Africa, these flows in 2001 were at least in part occasioned by measures taken by the United States to support the growth of manufacturing in Africa through the 2000 African Growth and Opportunity Act and by the European

Union through the "Everything but Arms" initiative. The effects of the African Growth and Opportunity Act include investment flows from Malaysia to Senegal and South Africa and from South Africa to Swaziland, all in the garment industry.

36. In Asia, Singapore led the field of investors in other developing countries with a single $6-billion acquisition of a Hong Kong bank. The Republic of Korea continues to be a major investor in other developing countries: over two thirds of its foreign direct investment stock abroad is in other Asian countries. China is also widening its investing abroad, and not only in Asia: the top 12 Chinese (mostly State-owned) firms control over $30 billion in foreign assets and employ over 20,000 foreign nationals. The value of cross-border acquisitions by Indian firms doubled to over $2 billion in 2001. About two fifths of foreign direct investment in Asia is intraregional.

37. In Latin America, although probably irrelevant to South-South cooperation, the British Virgin Islands became the largest investor, with $8.3 billion in outflows in 2001. The Cayman Islands was second with $2.8 billion. There is significant intraregional foreign direct investment in MERCOSUR. In 2001, Mexico almost doubled its foreign direct investment inflow to $25 billion, overtaking Brazil to become the largest recipient of foreign direct investment for the first time since 1995. The increase reflected the acquisition of a Mexican bank, Banamex, by Citigroup for $12.5 billion. Brazil received $22 billion in foreign direct investment in 2001, down from $33 billion the year before. Meanwhile, amid a continuing recession, Argentina suffered a 70-per-cent decline in foreign direct investment inflows. In June 2002, it was forced to devalue the peso against the United States dollar to less than one quarter of the value it had had less than six months earlier. The line-up of the top 10 magnets for foreign direct investment in Latin America and the Caribbean in 2001 is interesting in its inclusion of very large and very small countries. In order of magnitude, they were: Mexico, Brazil, Bermuda, Chile, Venezuela, Argentina, Colombia, Cayman Islands, Ecuador and Peru.

D. International trade

38. Owing to volatility in the global economy in the biennium under review, South-South cooperation in trade presented a mixed picture. Aggregate exports of developing countries accounted for 31.5 per cent of world exports in 2001. In composition, developing-country exports have been transformed since the 1970s from mainly commodities to mainly manufactures (now over 70 per cent). During the same period, South-South trade came to represent 40 per cent of the trade of developing countries. Encouraging as these figures are, they are somewhat misleading because the performance of developing countries and regions varied widely: Asian developing countries in 2001 accounted for 23.7 per cent of world exports, developing countries in the Americas accounted for 5.5 per cent and African countries for 1.9 per cent. The least developed countries accounted for 0.6 per cent of world exports in 2001. The aggregates are thus heavily weighted towards Asian performance.

39. Within Asia, too, there were wide disparities. A number of developing countries in the region successfully integrated themselves into the global marketplace and were themselves integrated into regional value chains of transnational corporations, with spectacular effect. For example, China (which

replaced the United Kingdom of Great Britain and Northern Ireland as the world's fifth largest trading country in 2002) sent 41 per cent of its exports to other developing countries in 2001 and obtained from them 53 per cent of its imports. By 2000, Chinese exports ($249 billion) were 88 per cent manufactured goods. Meanwhile, West Asia, which accounted for 3.98 per cent of world exports in 2001, and Central Asia, which accounted for 0.31 per cent, remained mainly exporters of commodities. In terms of value of exports, the members of the Bangkok Agreement ($470 billion) topped all other subregional Asian groups in 2001; ASEAN was second ($386 billion), followed by the Gulf Cooperation Council countries ($159 billion) (see below for composition of regional and subregional groups).

Value of exports by economic grouping

(millions of United States dollars)

	1980	*1990*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*
Africa									
CEMAC	4 668	5 560	6 079	7 124	7 441	5 917	6 720	9 622	9 453
CEPGL	1 804	1 184	596	692	688	551	572	575	540
COMESA	13 553	16 239	18 938	21 225	20 831	18 534	19 531	24 896	23 663
ECCAS	8 371	10 659	10 321	12 548	12 599	10 107	11 843	17 982	16 610
ECOWAS	33 348	20 769	21 865	26 451	25 348	20 628	24 534	30 652	30 474
MRU	1 225	1 209	1 125	1 173	1 159	1 300	1 266	1 367	1 490
SADC	34 242	37 199	42 611	46 484	47 695	40 762	42 415	49 256	47 394
UEMOA	4 885	5 036	6 648	7 421	7 318	7 641	7 666	6 666	7 114
UMA	40 648	34 394	32 133	35 471	36 483	30 191	34 252	47 502	46 180
Asia									
ASEAN	71 903	144 148	321 392	340 855	353 254	329 672	358 979	428 179	386 534
Bangkok Agreement	46 045	148 738	311 767	321 732	362 825	358 349	383 330	474 396	470 322
ECO	13 320	38 115	59 939	68 820	66 950	59 713	68 004	82 003	82 195
GCC	161 295	87 564	100 576	119 109	122 023	87 919	109 049	163 179	159 492
MSG	2 020	2 244	3 940	4 004	3 551	2 826	2 999	3 314	2 965
SAARC	13 142	27 494	46 129	50 407	52 780	51 248	53 455	62 549	63 987
Latin America									
ANCOM	30 467	31 134	39 496	45 581	46 419	39 109	43 381	58 026	52 185
CACM	4 768	4 354	8 284	8 568	10 005	11 499	11 945	11 846	10 613
CARICOM	11 443	4 752	5 681	5 710	6 149	5 463	6 061	7 984	9 195
LAIA	88 302	131 546	207 196	233 984	258 562	254 389	271 270	328 827	317 656
MERCOSUR	29 522	46 418	70 499	74 998	83 179	81 366	74 322	84 659	87 864
OECS	152	343	309	262	255	266	272	269	252

	1980	1990	1995	1996	1997	1998	1999	2000	2001
Countries in special circumstances									
Least developed	14 636	16 461	21 905	24 264	24 728	23 388	25 485	33 698	35 246
Heavily indebted	23 533	26 451	35 482	41 077	3 038	41 391	44 560	54 448	56 296
Landlocked	8 389	10 720	25 919	28 712	29 024	25 387	25 988	32 784	32 814

Source: UNCTAD, *Handbook of Statistics, 2002*.

40. Africa presented a marked contrast to Asia in the period under review. Nigeria, the continent's most populous country, sent 72.2 per cent of its exports to developed countries in 2001 (down from 92 per cent in 1980), almost all of it a single commodity, oil. South Africa, the continent's largest and most diversified economy, sent 65 per cent of its exports to developed countries in 2000, with manufactures accounting for nearly 54 per cent of the total. Africa as a whole was closer to Nigeria, sending some 71 per cent of its exports to developed countries in 2001, with fuels accounting for over 65 per cent of the total. Overall, sub-Saharan countries took only 12 per cent of their total exports, which continued to be predominantly agricultural and mineral commodities. In 2001, the African subregional grouping with the most exports was SADC ($47.3 billion), closely followed by the Arab Maghreb Union ($46.1 billion), and then by ECOWAS ($30.4 billion).

41. Developing America (classifications from UNCTAD *Handbook of Statistics, 2002*) sent 74.6 per cent of its exports to developed countries in 2000, with manufactures accounting for 61.4 per cent. Intraregional trade in some countries in developing America was quite volatile. For example, after growing at an average of 16 per cent for a decade, intra-MERCOSUR trade fell dramatically in 2002. According to the Inter-American Development Bank, intra-MERCOSUR trade decreased from slightly over 20 per cent of its total trade in 2000 to 11 per cent in 2002. Within the Andean Community, trade fell by 7 per cent in 2002. In the Central American Common Market, intra-group trade remained constant. The Latin American Integration Association, the largest Latin American subregional grouping, had exports totalling $317 billion in 2001.

III. Evolving trends and issues in South-South cooperation

A. Action taken by developing countries

42. The South-South record of cooperation has been subjected to a limited review and assessment in terms of goals met, but available information points to significant progress in a number of countries. Developing countries in every region have emerged as net providers of technical assistance, and some now expend substantial resources on outreach to other developing countries. At the thirteenth session of the General Assembly High-level Committee on the Review of Technical Cooperation among Developing Countries, India reported that it had spent over $2 billion over the years i.. its wide-ranging programmes for South-South cooperation. China,

which has a diverse portfolio of cooperation projects with other developing countries, decided in 2000 that over a two-year period, it would reduce or cancel some $1.2 billion in debt owed mostly by African least developed countries. With the support of the Special Unit for Technical Cooperation among Developing Countries, China is launching its first South-South Cooperation Demonstration Base in Fuzhou. The Base brings together 26 national centres of excellence to service development better in the South. Turkey commits some 80 per cent of its development cooperation budget of $180 million to South-South programmes; in 2001, it reported signing 72 bilateral agreements with 44 developing countries, 30 of them for economic or technical cooperation. Brazil consults annually with Latin American and Caribbean countries before drawing up its cooperation programmes funded nationally and from multilateral sources.

43. Other countries have also made significant contributions. Singapore offers an extensive array of training programmes; Sri Lanka has programmes to impart indigenously developed technology in such areas as crab breeding and the use of banana fibre and wind power. Venezuela has reached out to a number of African countries. Cuba has provided medical experts and support for health-care systems in many countries outside the Latin America and Caribbean region. In Africa, Benin, Seychelles and Uganda have worked through joint commissions with other developing countries to identify South-South priorities.

B. Action taken by donor countries

44. In general, donor countries have preferred to facilitate South-South cooperation by supporting centres of excellence and knowledge networks. Sweden is financing three such networks in Asia (on renewable energy technologies, energy research, and environment and climate) and two in Africa (on energy policy and biotechnology). Some donors have also made greater use of experts from the South in their bilateral programmes. Noteworthy examples are the training arrangements of Sweden that are based in Singapore and Uruguay, the arrangements of Canada with Singapore and those of Australia with ASEAN, Fiji, Papua New Guinea, Samoa and Vanuatu.

45. Developed countries have also provided vital support for South-South cooperation in such areas as human resource development, research and institutional capacity-building. Aid is being increasingly targeted for groups of countries or institutions that address overarching thematic issues. For instance, Japan has supported the work of the UNDP Special Unit for Technical Cooperation among Developing Countries on a programme for capacity-building in local governance and economic development that will result in two networks in Africa and Asia that will enable the exchange of experience and technical support. Japan has also supported the convening of two Africa-Asia Business Forums, one in Malaysia and the other in South Africa, as part of a broader effort to improve Africa-Asia links through a decade-long process initiated by the first Tokyo International Conference on African Development in 1993.

46. Notable examples of triangular cooperation are Japan's Third Countries Training Programme (involving Kenya, Mexico, Singapore and Thailand), Third Countries Experts Programme and Partnership Programme. Financial assistance from Japan has helped: Ghana to provide training to participants from neighbouring

countries in administering polio vaccinations; Indonesia to send agricultural experts to the United Republic of Tanzania; and Chile to extend technical cooperation to Cuba in the field of fisheries development, to Bolivia in the field of vegetable and animal sanitation and to the Dominican Republic in teacher training.

47. Another significant triangular initiative is the African Capacity-Building Foundation, created as a response to the severity of capacity deficits in Africa. Based in Harare, it is an initiative of the African Development Bank, UNDP, the World Bank, African Governments and bilateral donors. The Foundation brings together 15 African countries (Botswana, Cameroon, Côte d'Ivoire, the Democratic Republic of the Congo, Gabon, Ghana, Kenya, Malawi, Mali, Mauritius, Nigeria, Senegal, Uganda, the United Republic of Tanzania and Zimbabwe) and 10 non-African bilateral donor countries (Canada, Denmark, Finland, France, Ireland, the Netherlands, Norway, Sweden, the United Kingdom and the United States). Through partnership between the Rio Group and the European Union, the Centre houses the Training Programme for Regional Integration supported by the European Institute of Public Administration in Maastricht, the Netherlands.

48. Other examples include European Union support for programmes engaging African countries in trade expansion, environmental protection and development of human resources. A Euro-Mediterranean partnership aims to establish a free trade area by 2010 that will include the European Union and its Mediterranean partners, such as Algeria, Morocco and Tunisia (Maghreb); Egypt, Israel, Jordan, Lebanon and the Syrian Arab Republic (Mashrek); and Cyprus, Malta and Turkey. Another innovative example is that of the Netherlands support for sectoral programmes in 22 developing countries through multi-donor basket funds, providing support for the use of southern technical resources for any element of the programme.

C. Role of the United Nations development system

49. Technical assistance within the United Nations development system used to be mainly North-South; it can now be North-South, South-South, or involve one or more parties from the North and the South in a variety of equations on a wide range of issues. Some agencies and programmes, especially the Food and Agriculture Organization of the United Nations (FAO), the International Trade Centre (ITC), UNCTAD, the United Nations Industrial Development Organization (UNIDO) and the World Health Organization, have well-defined South-South policies and programmes. However, the use of the South-South modality is often ad hoc, with cost-effectiveness the determining factor, all other things being equal. The full extent of South-South cooperation within the United Nations system cannot be captured in the space available here, but the descriptions below indicate the scope and range of the effort.

50. UNCTAD is extensively involved in South-South processes, with a focus on study, analysis and dissemination of information to support developing countries in multilateral trade and bilateral or multilateral negotiations. For example, it provides technical assistance and analytical support on South-South cooperation generally and specifically for regional groupings. It also organizes intergovernmental deliberations on the key issues relating to South-South economic cooperation and integration. To remedy the information deficit from which developing-country commodity producers have always suffered, UNCTAD tracks developments relating

to more than 80 commodities and examines the global factors that have an impact on international markets. With support from France and in partnership with Cyclope, a group of French-speaking researchers, it maintains INFOCOMM, a technical assistance programme that features an international electronic portal (http:\\www.unctad.org\infocomm) offering analyses and practical information for the principal commodities. On investment, UNCTAD supports a number of regional institutions and networks in developing countries.

51. In the area of information and communication technology and e-commerce, developing countries had the opportunity to learn from one another's best practices and experiences through UNCTAD regional meetings on electronic commerce for development, such as the one for Central America and the Caribbean held in Curaçao in June 2002, or the one organized jointly with the Government of Thailand and the United Nations Economic and Social Commission for Asia and the Pacific for the Asia-Pacific region in Bangkok in November 2002. Information on success stories, such as Costa Rica and India, is contained in the UNCTAD annual Electronic Commerce and Development Report.

52. In the field of transport and trade facilitation, UNCTAD identified opportunities for cooperation between the member States of the Economic Cooperation Organization, in order to formulate a full-scale programme of technical assistance at a later date. The Advance Cargo Information System, which is active in 16 countries in Asia and Africa, facilitates regional cooperation along transport chains by providing transport operators with the latest technological and management tools to improve their efficiency. An independent evaluation conducted on five railways of Eastern Africa (in Kenya, Uganda, the United Republic of Tanzania (2) and Zambia) and two ports (in Kenya and the United Republic of Tanzania) showed that the System had increased equipment productivity by US$ 20.5 million per year and reduced rail wagon hire charges by US$ 6.4 million per annum. Moreover, the UNCTAD Automated System for Customs Data has allowed customs administrations of developing countries to exchange information and facilitate the clearance and transit of goods, facilitating their regional harmonization in over 80 countries.

53. South-South approaches are central to the work of UNDP. The UNDP global cooperation framework promotes South-South cooperation by, for example, linking country, regional and global programmes, which enables greater South-South exchange and cooperation across regions. UNDP services — global advocacy and policy analysis, policy advice and support, and knowledge networking and sharing of best practices — build capacity for greater South-South cooperation. Over the past two years, UNDP has encouraged Internet-based networking, which has led to a vigorous daily exchange of information among development practitioners, mostly in the South.

54. In an effort to strengthen the mainstreaming of South-South cooperation in the operational activities of the United Nations development system, the UNDP Special Unit for Technical Cooperation among Developing Countries also submitted revised Guidelines on the review of policies and procedures concerning technical cooperation among developing countries to the High-level Committee on the Review of Technical Cooperation among Developing Countries at its thirteenth session. The Guidelines contain indicators for gauging the activities of the

organizations of the United Nations system with respect to technical cooperation among developing countries.

55. In 2001, the Special Unit initiated work on TECHNONET Africa to link small and medium-sized enterprises within the region. It continued its efforts to catalyse investment and technology transfer from Asia to Africa at the enterprise level through the second Africa-Asia Business Forum, held in Durban, South Africa, in July of that year. Another programme in the biennium 2001-2002 involved training programmes in development financing in Malaysia and the Philippines for African bankers. Other interregional work supported by the Special Unit included the Africa-Asia Eco-Partnership Programme, which has initiatives in the management of solid waste, wastewater and air pollution in five African and six Asian cities. In the area of emerging development issues, the Special Unit used triangular cooperation arrangements to launch an initiative to develop institutional capacities for the management of water demand in the Middle East and North Africa region.

56. The work of the Special Unit in knowledge-building and knowledge-sharing included *Cooperation South*, a twice-yearly journal distributed to key policy makers in the South, the United Nations system, research libraries and multilateral organizations. The Web of Information for Development (WIDE), an electronic platform for the dissemination and sharing of information on lessons learned, availability of expertise, and institutional experience, is another ongoing initiative. Under an agreement with the Bureau for Development Policy, WIDE is to become the main platform for subregional resource facilities, allowing the international community easy access to expertise available in the South. Institutions in the South will be able to use WIDE to build their roster of experts and inform a global audience of their capacity. In October 2002, the Special Unit initiated a project to lower the cost of accessing the Internet in Africa. It also initiated an umbrella programme on the preservation of coastal and marine biodiversity in the West African Gulf of Guinea. Another programme supported the sharing of successful policies and experiences relating to the teaching of science and technology subjects in the developing world.

57. The Special Unit for Technical Cooperation among Developing Countries also collaborated with the World Trade University, launched at the Third United Nations Conference on Least Developed Countries, held in Brussels in May 2001, in organizing a South-South trade forum within the World Trade Forum tentatively scheduled for May 2004 in Shanghai, China. Supported by many developing countries, the United Nations Global Compact, UNDP, UNCTAD, the World Trade Organization, the Commonwealth Secretariat, the Inter-American Development Bank, the Investor Relations Group, the International Business Leaders Forum, the Bank of Montreal, the Panicaro Foundation and other partners, the Forum aims to foster an inclusive global public-private partnership mechanism for promoting the Millennium Development Goals through trade.

58. UNIDO is also extensively involved in South-South cooperation. Its diversified South-South programmes cover, inter alia, investment and technology promotion, strengthening industrial capacities, trade facilitation and market access, export promotion, food safety and preservation, footwear, housing, environmentally sound vehicles, subcontracting and partnership, environmental management and information networks. UNIDO is engaged in spreading, from India, the concept and practice of cluster development of small and medium-sized enterprises, which the

country had developed to increase efficiencies of scale. At the global level, it provides, in its innovative new Industrial Development Report, an assessment with a scoreboard that reviews the performance and capabilities of 87 countries.

59. Other organizations also give an important role to South-South cooperation. The following is only a brief summary of such activities. The FAO Special Programme for Food Security, for example, organizes extended missions by experts from 20 advanced developing countries to work directly with farmers in other developing countries. Some 2,600 experts and technicians have participated in the programme.

60. The International Civil Aviation Organization routinely sends a third or more of its fellowship placements to institutes in developing countries and draws a similar proportion of its expert project personnel from the South.

61. The International Trade Centre in Geneva has a strong South-South trade promotion programme that has had considerable success in generating new business with buyer-seller meetings organized on the basis of trade-flow analyses and on-the-ground surveys. A particular success story is the LatinPharma 2002 project, which focused the attention of local businessmen, government officials and academics on the situation in Central America. There some 200 local pharmaceutical companies had idle capacity ranging from 10 to 50 per cent, yet 76 per cent of essential drugs used in the subregion were being imported. As a result of the project, the foundation of a sustainable pharmaceutical industry in the subregion has been laid.

62. The Department of Economic and Social Affairs of the Secretariat and UNDP supported the establishment of the Regional Cooperation Centre for City Informatization in Shanghai, China, in 2000. It has since helped to revolutionize the use of information and communication technology for e-government, e-commerce, e-healthcare, e-education and sustainable economic and social development at the city and intercity levels throughout the Asia and Pacific region under South-South cooperation. It is now set to go interregional and global, aiming to help to bridge the digital divide among cities in the South, with the support of the Special Unit for Technical Cooperation among Developing Countries.

63. South-South cooperation also plays a role in the activities of the Joint United Nations Programme on HIV/AIDS (UNAIDS). The International Partnership against AIDS in Africa is the world's largest South-South network focused on a single issue. Under the leadership of African Governments, it brings together community activists, businesses, donors and the United Nations system in a broad effort to prevent and combat the disease and help victims.

64. The World Health Organization uses a network of cooperating institutions in developing countries to collect, analyse and use disease-related information. Its surveillance, norm-setting and capacity-building activities have helped to establish full national health accounts in 70 countries.

D. Role of the private sector and non-governmental and civil society organizations

65. One of the growing trends is the increasing participation by the private sector, non-governmental organizations and civil society organizations in South-South and

triangular cooperation. For example, the Third World Academy of Sciences has supported scientific research in 100 countries in the South through a variety of programmes and it arranges for peer reviews free of charge for research grants, fellowships and awards submitted by scientists and institutions in developing countries. Along with the Third World Organization for Women in Science, which now has over 2,000 members from some 80 developing countries, and the Third World Network of Scientific Organizations, a non-governmental alliance of some 150 scientific organizations in the South, the Third World Academy of Sciences had a key role in supporting the October 2002 Group of 77 meeting on science and technology held in Dubai.

66. The 18-member African Stock Exchanges Association, created in 1993, has its headquarters in Nairobi. It aims to promote the exchange of information, materials and people; provide mutual assistance; and organize joint programmes. It helps to establish stock exchanges, develop financial instruments and set standards for personnel, listing, trading, data banks and information systems. Any stock exchange or nascent stock exchange in Africa can join the Association, which continued its outreach and advocacy functions during the biennium 2001-2002.

67. AGRECOL (Ecological Agricultural Technologies), a non-governmental organization founded in Bonn, Germany, in 1982, now has chapters in over 20 countries. Dedicated to sound land use and agricultural practices, its membership is drawn from farmers and representatives of farmers groups, non-governmental organizations, universities and research centres, organic certification agencies and advisory groups. One of its campaigns is to support "a close South-to-South collaboration between Asia, Africa and Latin America" in developing a locally based and self-reliant organic agriculture movement. Support from AGRECOL is being welcomed by organic farmers' groups in a number of developing countries because they need help to access the major markets for organic products which, according to UNCTAD, are growing at rates of 10 to 15 per cent per year. Developing countries with growing organic farming movements include Bolivia, Cameroon, Ghana, India, the Islamic Republic of Iran, Kenya, Lebanon, Nepal, Peru, the Republic of Korea, Senegal, Solomon Islands, Sri Lanka, Uganda, the United Republic of Tanzania and Zimbabwe.

68. The Coastal Linkage of Academic and Research Institutions' Network in North-east Asia was another microregional initiative in 2001. The network aims to improve mutual understanding and institutional capacity in the region through economic and social interaction and to contribute research relating to regional cooperation to local Governments. Members of the organizing committee include Jilin University and Yanbian University of Science and Technology (China), the International University of Japan and the Economic Research Institute for North-east Asia (Japan), Kangnung National University and the University of Ulsan (Republic of Korea), and the Far Eastern National University and the Maritime State University (Russian Federation).

IV. Concluding remarks and recommendations

69. **The foregoing offers ample grounds to affirm that the basic concept of South-South cooperation is having a positive impact on global, regional and national policies and actions relating to trade, investment, monetary and**

financial arrangements and on human development in general in the developing world. The following conclusions and recommendations may also be drawn.

70. **The emphasis placed on South-South cooperation at recent United Nations conferences reaffirms the staying relevance of this approach to international development cooperation and underscores the need for its continued support by the United Nations system.**

71. **As the number of regional and subregional groups working to foster economic integration in the South grows, so must efforts be made to expand the scope of South-South and triangular partnerships within the framework of such collaborative arrangements.**

72. **Rapid globalization underscores the need for a more strategic approach to South-South cooperation. As developing countries prepare their economies for entry into global markets, they must know their relative strengths and weaknesses and how best to use available resources to minimize negative effects and maximize benefits. In this context, increasing efforts towards monetary and financial cooperation are an encouraging development that should be further strengthened.**

73. **Rapid economic growth prompts a number of developing countries to enter a highly competitive search for foreign direct investment. Such countries of the South need to adopt proper strategies to avoid counterproductive competition against one another.**

74. **As the volume of South-South and North-South trade becomes more robust and developing-country exports are increasingly transformed from raw commodities into manufactures in some parts of the developing world, urgent measures are needed to boost the trading capacity of least developed countries, whose share of world trade in 2001 was merely 0.6 per cent.**

75. **With improved information flows, strategic planning and effective mechanisms to resolve conflicts peacefully, South-South cooperation could help to meet the Millennium Development Goals by drawing on the resources and expertise existing in the South, particularly in the countries that have recently realized rapid socio-economic development.**

76. **Growing participation by the private sector and non-governmental and civil society organizations in South-South cooperation is a welcome development to be encouraged and strengthened in future South-South and triangular initiatives.**

Notes

[1] Updated information on the follow-up to the International Conference on Financing for Development can be found at http://www.un.org/esa/ffd.

[2] The text of the report of the World Summit on Sustainable Development and information about follow-up action can be found at http://www.un.org/esa/sustdev/index.html.

[3] More information on NEPAD can be found at http://www.nepad.org/.

[4] The information on ASEAN is from press statements issued by the ASEAN secretariat; for the full texts, see http://www.aseansec.org/.

[5] Information on the Andean Community was obtained from http://www.comunidadandina.org/endex.htm.

[6] The text of that communiqué and others pertaining to relations between MERCOSUR and the Andean Community can be found at http://www.comunidadandina.org/ingles/common/mersocur4.htm.

[7] For more detailed information on the Group of 24, see http://www.g24.org.

[8] For more detailed information on the Heavily Indebted Poor Countries Ministerial Network, see http://www.dri.org.uk/pages/hipcen.html.

[9] For a variety of regional financial institutions that support development, see the IMF web site (http://www.imf.org/), which lists over 50 of them involving developing countries.